

**Centre for Social Markets**

**ABN AMRO India  
Review of Labour Practices**

April 2007

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written for SOMO and FNV Mondiaal by  
Centre for Social Markets (CSM)  
as part of the FNV Company Monitor project

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# CONTENTS

<b>1</b>	<b>Introduction</b>	<b>3</b>
<b>2</b>	<b>General Characteristics</b>	<b>5</b>
<b>3</b>	<b>Labour Relations</b>	<b>11</b>
<b>4</b>	<b>Labour Conditions</b>	<b>15</b>
<b>5</b>	<b>Reorganisation</b>	<b>19</b>
<b>6</b>	<b>Conclusion</b>	<b>21</b>
<b>7</b>	<b>Annex</b>	<b>23</b>

# 1. Introduction

The Centre for Social Markets (CSM) is an independent non-profit organization dedicated to making markets work for the triple bottom line - people, planet and profit. Through its offices in India and the United Kingdom, and an international network of partners and associates, CSM promotes responsible entrepreneurship, ethics and accountability worldwide. CSM's work is divided into five main work streams focussing on business, investors, workers, consumers and governance respectively.

SOMO entrusted CSM to conduct a study on the labour policies and practices of ABN AMRO India (hereafter referred to as ABN AMRO unless specified). This report covers specific details on labour issues only and does not detail any other issue such as environment, microfinance or CSR.

The study period covers the situation over the previous five years (2001-2006), and the information collected is used to carry out a descriptive analysis of aspects such as the management influence, union situation, labour relations, and CSR policies. The study was conducted by CSM's Indian staff with a sound understanding of the Indian cultural context and issues pertaining to industrial relations and the finance sector in the country. Feedback from both management and unions on the draft report was solicited and integrated into the final version of the text. We thank them for their co-operation.

## Methodology

CSM followed primary and secondary research methodologies. Secondary research included collection of information from various media and sources on ABN AMRO's general characteristics, economic and financial data, historical background and any record of labour shortcomings. It also took a first cut at India's current labour legislations and conformity to relevant ILO Conventions.

The primary research included interviewing union members and ABN AMRO's management. A simple random sampling technique was used for this. CSM would have wished to interview more employees to enable a broader sample base but access proved difficult. As a result, it must be noted that opinions of respondents are indicative only not representative of the entire group of ABN AMRO employees.

The interviews themselves were conducted in Mumbai and Kolkata. Some employees not members of the union were also interviewed on certain aspects of the study. These employees were selected outside ABN AMRO offices and interviewed. Five employees provided time for a full discussion at a convenient time. Of these three were in Delhi and two in Mumbai. CSM also discussed the labour situation and unionisation trends in India's financial and outsourcing sectors.

Information collected was then analysed and put into context in such a way that it met the requirements of FNV and SOMO of this study as well as putting in perspective the entire labour situation specific to India as well as the Bank.

ABN AMRO management's cooperation did not come through easily. The management was not forthcoming apparently on the grounds lack of clarity on the purpose of the study. The management was apprehensive of the consequences of the study such that it would lead to unnecessary demands from the union members and other employees in the organisation. As a result, the project moved slowly for about three months. The management agreed to cooperate following more information and clarification from FNV and SOMO.

The interim three months were used to engage in discussions with the union members in Mumbai and Kolkata, and other employees (not part of any union) at Mumbai, Kolkata and New Delhi. The Head of Human Resources and the Vice President of Human Resources were finally interviewed in Mumbai. The interview largely revolved around the Company's policies in India and the measures the company took to take care of its employees.

## Report structure

Following this section of methodology, the second section of the report provides information and vital statistics of ABN AMRO's management structure, business strategy and financial performance. It also provides an overview of various employee and CSR policies. The third and fourth sections detail union-management relations and labour conditions. In absence of a strong union at ABM AMRO's India operations, wage inflation, scarcity of talent pool, and low awareness amongst current employees for the need for unionisation, the management seems to be facing virtually no union issues. The fifth section analyses reorganisation due to outsourcing of core business activities.

## 2. General characteristics

### Business description

ABN AMRO (India) has had a long-standing presence in India since 1920, in Kolkata and Mumbai. At that time, the bank mainly worked for diamond clients. The bank took off in a big way in 1991, after the merger of ABN and AMRO worldwide. The Delhi branch was functional in the very same year. ABN AMRO was launched in other cities throughout India between 1994 and 1999. They were Chennai in 1994, Pune in 1997 and Baroda in 1999, while the Hyderabad and Bangalore branches were opened in 2001. The bank acquired the retail business of the Bank of America in 1999. In India, ABN AMRO Bank has a presence of 28 branches across 21 cities offering a comprehensive range of financial products and services. In comparison, Citibank has 44 branches, HSBC 39, and StanChart has 84 branches in India<sup>1</sup>.

ABN AMRO Bank in India has the following entities. ACES<sup>2</sup> (BPO services and distribution network), ABN AMRO Equities (India) Ltd, ABN AMRO Securities (India) Ltd, ABN AMRO Asset Management (P) Ltd, and ABN AMRO Corporate Finance.

ABN AMRO in India has a strong image as a corporate bank with comprehensive Global Transaction Services. Its investment banking services are delivered through ABN AMRO (India) Corporate Finance and the Global Financial Market Teams.

Consumer banking offers a suite of products for personal financial needs through various channels including ATMs, Doorstep Banking and NetBanking.

Private Banking Services in India offer a broad range of Portfolio Advisory Services along with a comprehensive transaction execution platform, complemented by personalised banking and custodial services.

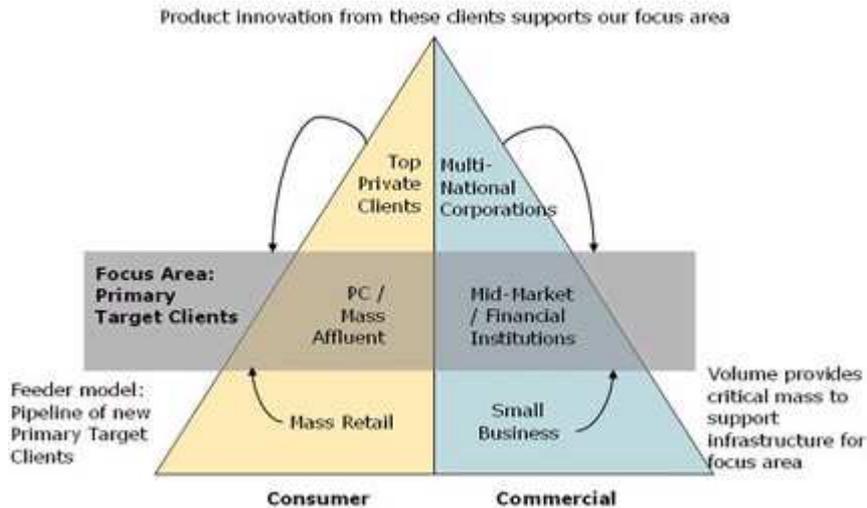
The Bank's microfinance program in India is aimed at delivering credit to the poor women of India, especially in the rural areas, through Microfinance Institutions (MFIs).

ABN AMRO in India has its growth strategy focus on mid-market segment. The consumer mid-market consists of clients who require more than a basic banking package, but who are not yet top-end private clients. The commercial mid-market ranges from mid-sized companies to a smaller number of large multinational clients and financial institutions. This strategy follows from the global growth strategy on mid-market segment.

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<sup>1</sup> ABN AMRO Holding NV Annual Report and ABN AMRO India's Employee Induction Manual

<sup>2</sup> 'ACES' is the abbreviation for ABN AMRO Central Enterprise Services. The impact of ACES on ABN AMRO's restructuring and unionization within ACES is including in section 5 'Reorganisation'.



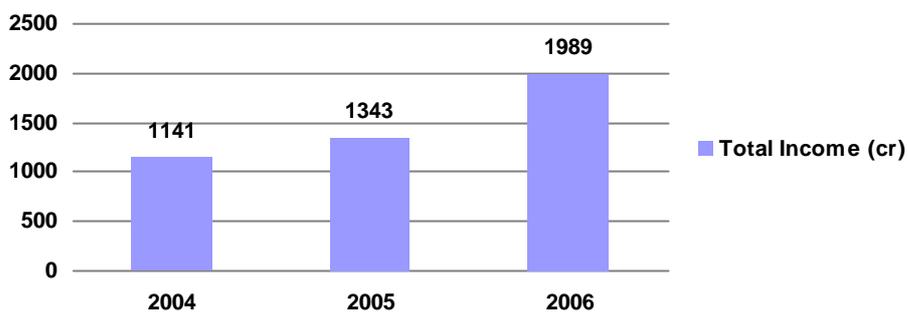
[Source: Annual Report 2005, ABN AMRO Holding N.V.]

ABN AMRO aims to build further on its already strong strategic positioning by winning more clients in chosen markets and client segments, and by making carefully targeted investments to improve product capabilities. In terms of new markets, the Bank's BU Europe and BU Asia are successfully exploiting the attractive opportunities that are opening up in several emerging markets, with a strong focus for BU Asia on Greater China (the People's Republic of China, Hong Kong and Taiwan) and on India.<sup>3</sup>

ABN AMRO was ranked 3<sup>rd</sup> Best Bank by industry (KPMG study) and 4<sup>th</sup> Best Bank by customers (ICMR study) in 2006. The Bank has over one million consumer banking customers and approximately 1000 commercial segment customers.

## Vital Stats<sup>4</sup>

(All figures in Indian rupees)<sup>5</sup>

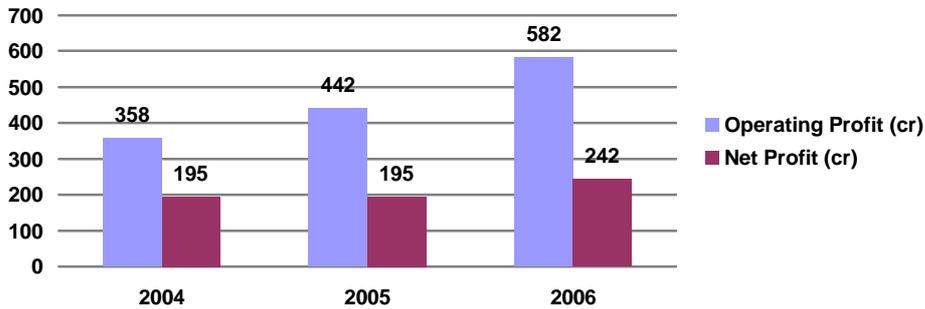


ABN AMRO India's aggressive marketing strategy offering a bundle of new financial services to its customers and focus on key business and consumer sectors (following the global restructuring) increased its total income by at least 48 percent in 2006 as compared to the same period the previous year.

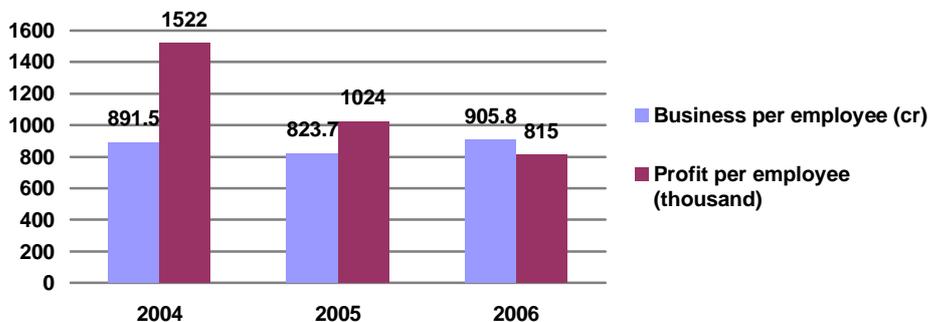
<sup>3</sup> ABN AMRO Annual Report 2005

<sup>4</sup> Reserve Bank of India (RBI) annual publications

<sup>5</sup> 10 lacs = 1 million, 10 million = 1 crore; current exchange rate 1 Euro = Rs 58 (approx)



The Indian operations also increased their Net Profit by about 24 percent in the period 2005-06, which had stagnated at Rs. 195.00 crores in the period 2004-05.



While the business per employee increased by about 10 percent in 2006 over the same period the previous year, the profit per employee declined by 20 percent. This decline in profit per employee is because of increasing operating expenses.

## Company management

Early 2006, ABN Amro changed its reporting structure in India from a strategic business units (SBUs) reporting system to a geographic reporting structure. Under this, all the business units now report to the Bank's India head. ABN Amro is, probably, the only foreign bank in India with a geographic or consolidated structure reporting. Most other foreign banks in India stick to the SBU reporting structure. The new reporting structure was aimed at creating a unified platform for client coverage. It will also be an optimal structure for covering clients and give them services across products.

## The new structure<sup>6</sup>

Client Segments	Commercial & Global Clients	Consumer	Private	Diamonds & Jewellery	Microfinance & SD		
Product Teams	<b>Local products:</b> (embedded in the Client segments above) Deposits, Insurance, Lending, Overdraft...						
	<b>Transaction Banking:</b> Trade, Cash Management, IPOs...						
	<b>Global Markets:</b> Derivatives, FX, Traded Markets...						
	<b>Asset Management:</b> Mutual Funds, Portfolio Management...						
Support Services	Human Resources	Services	Finance	Risk	Compliance	Audit	Legal

This change is a result of Group restructuring globally that replaced SBU-based structure to the new structure. This new global structure is comprised of:

- seven Client BUs: five regional BUs (Netherlands, Europe, North America, Latin America and Asia) and two global BUs, Private Clients and Global Clients, the latter serving a select group of multinational corporations
- three Product BUs: Global Markets, Transaction Banking and Asset Management, support the Client BUs by developing and delivering products for all our clients globally with a primary focus on the mid-market segment
- two cross-BU segments: cross-BU Consumer Client Segment and a cross-BU Commercial Client Segment. The role of these segments includes driving the application of winning formulas across our various geographies, and working with the BUs Asset Management, Transaction Banking and Global Markets to deliver high-quality solutions to our various client bases
- Services: Services will also continue to investigate and implement new market solutions, with the aim of ensuring that all our BUs get the support services and flexibility they need in order to provide clients with even better products and services delivered in the most efficient way, at an optimal level of operational risk
- Group Functions: comprised of centres of expertise delivering value-added support and services across the Group in areas including, among others, Risk, Finance, Audit, Legal, Compliance, Human Resources, Communications, Investor Relations and Corporate Development

The corporate management has a strong influence on the national/local management. India strategies, policies implemented in India are in line with strategic guidelines defined by the board in the Netherlands and materialised through annual agreements. While business strategies are outlined and concerning decisions taken at the India corporate level, decisions about labour relations are taken at the national as well as local levels, depending on branch-level conditions.<sup>7</sup>

The Bank is expanding retail business through opening of more branches in the country and focussed on the consumer and commercial mid-segment (as mentioned above). The Bank has and is

<sup>6</sup> ABN AMRO India's Employee Induction Manual

<sup>7</sup> Discussions with management and union

increasingly outsourcing permanent back-office jobs. The Business Process Outsourcing (BPO) service providers as well as ACES handle the Bank's Indian and global customers. These BPOs are located in various countries including India. The decisions on outsourcing are taken both at global and country levels depending on whether the nature of activity is to affect global operations or only specific country operations.

## Employment

ABN AMRO India employs over 6000 employees of which about 3000 are in ACES in 2006. The employment has thus increased over the years from about 2100 in 2003 and 3600 in 2004. However, there is a notable shift of employment from core banking activities to outsourcing, whether in-house or to third party service providers.<sup>8</sup>

Recruitment takes place 'almost every day' in the category of officers both on permanent and contractual basis. The employee turnover (employee wastage) per year is about 15-20 percent. This level of employee turnover is at par industry average, but less than some of the other services industries such as outsourcing, hospitality, etc.

ABN AMRO India's employment comprises of about 25 percent women. The Bank is also an equal employment opportunity provider and recruits people on merit basis.<sup>9</sup> The employee referral scheme is supposed to be one of the best in the banking industry, wherein existing employers can refer potential candidates for employment in the Bank. 'Employee referral' means employees can refer known people for employment within the organisation. The employees are rewarded in various ways, particularly financially, when the referred person is employed and completes the probation period successfully. Employee referral is used to get the best candidates through private networks, save on lengthy structured recruitment processes, and create loyalty amongst existing employees.

## CSR policy

ABN AMRO participates in various sustainability organizations and has led initiatives that promote a sustainable approach to business. Many of these initiatives are led globally and have a trickle down effect on what the Bank does in India. ABN AMRO is a signatory to or member of the World Business Council for Sustainable Development (WBCSD), Equator Principles, the International Chamber of Commerce (ICC) business charter for sustainable development, Wolfsberg Principles, Carbon Disclosure Project (CDP), and the Climate Leadership Index (CLI).

ABN AMRO's Corporate Values are integrity, teamwork, respect and professionalism. Its Business Principles extend these values to reflect the roles and responsibilities of multinational corporations in today's society. So they clarify how these values affect its relationships with different stakeholders – and in turn inspire and strengthen those relationships.

ABN AMRO has developed a definition of sustainable development linked directly to its Values and Business Principles: 'To live our Values and Business Principles and to meet the needs of the organisation and our stakeholders, thus protecting, sustaining and enhancing human, natural and financial capital needed in the future.'

The Bank's internal governance is founded on a robust set of policies and instructions contained in the ABN AMRO Instruction Manual (AIM). This manual is not a public document but is made available to staff via Intranet, sets out a global approach to areas such as human resources, labour policies, risk management and communication.

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<sup>8</sup> Discussions with union members

<sup>9</sup> Discussions with union and management

As an international bank with operations spanning the globe, ABN AMRO has to meet all the relevant – and often different, sometimes conflicting – local and international banking laws and regulatory obligations and standards.

The Bank defines 'compliance' the independent oversight on behalf of senior management of those core processes and related policies and procedures that seek to ensure the bank is conforming to industry-specific laws and regulations, thereby maintaining the bank's reputation. The compliance function has a two-tier structure. Responsibility for implementing corporate compliance policy is a line management responsibility. Globally 356 FTEs are dedicated to compliance.<sup>10</sup>

Furthermore, the Bank's independent audit function strengthens Business Risk Control by providing independent professional audit services. To ensure Group Audit's independence, the Head of Group Audit reports to the Chairman of the Managing Board and the Chairman of the Supervisory Board/Audit Committee. Group Audit is represented in all major countries and includes 577 FTEs. Group Audit contributes to sustainability by assessing adherence to the standards set out in AIM.<sup>11</sup>

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<sup>10</sup> 'Who's Who in CSR in India - A Resource Guide 2006', Centre for Social Markets

<sup>11</sup> 'Who's Who in CSR in India - A Resource Guide 2006', Centre for Social Markets

## 3. Labour relations

### National Legislation

The Industrial Relations Division (Policy Legal) within the Ministry of Labour deals with the following labour legislations/schemes applicable to all organisations in India. The main central laws dealing with labour issues in India are:

- The Workmen's Compensation Act 1923
- The Minimum Wages Act 1948
- The Payment of Wages Act 1936
- The Industrial Disputes Act 1947
- The Employees Provident Fund and Miscellaneous Provisions Act 1952
- The Payment of Bonus Act 1965
- The Payment of Gratuity Act 1972
- The Maternity Benefit Act 1961
- The Industrial Employment (Standing orders) Act 1946
- The Trade Unions Act
- The Equal Remuneration Act
- The Employees State Insurance Act
- The Factories Act
- The Child Labour Act
- The Contract Labour Act

India has not ratified ILO Convention C87 (Freedom of Association and Protection of Right to Organised Convention), and C98 (Right to Organise and Collective Bargaining Convention). According to the Ministry of Labour the reason of non-ratification of Conventions 87 and 98 is the inability of the Government to promote unionisation of the Government servants in a highly politicised trade union system of the country.

### ABN AMRO India Practices

The employees union at ABN AMRO India is called the 'General Bank of the Netherlands' Employees Union'. The Union is affiliated to 'Maharashtra State Bank Employees' Federation' (MSBEF) at the State level and 'All India Bank Employees' Association' (AIBEA) at the National level. Only Mumbai (corporate office) and Kolkata (regional office) have unions. Kolkata union is called the ABN Amro Bank Employees Union.

With initially 17 members at the start in 1954, the membership swelled to around 125 by 1995. Thereafter due to stoppage of recruitment under the "AWARD STAFF", promotion to officer's cadre and offers of Voluntary Retirement Scheme (VRS) and normal retirements the Union's present membership strength has been reduced to 31. At Kolkata Branch, the membership has come down from 60 to miniscule five. Except in Mumbai and Kolkata there is no staff union in any other branches in India. Union membership is not 'permitted' for officer and senior management cadres, which is a private sector trend. However, this is not according to the Indian labour laws.

Various unions in the Indian banking sector have been trying to prevail on the Government to ratify the Geneva Convention with respect to extending trade unions rights to the officer cadres as well. But the Indian Government has not yet ratified this convention.

Presently the management employs contract labour and outsources various banking jobs and functions, which has adversely affected the numerical strength of the unionised staff. The Union is trying to maintain its membership and the members aim to complete their full tenure of service till normal retirement. The members do not want to sacrifice the union's service conditions which have been achieved after prolonged struggle.

The workers are free to choose whether or not to join a trade union. However, according to the union members, the Bank does discourage union membership informally by telling the new recruits not to join the Union and by differential treatment. The latter is done through various means including promotions and differential salary structures,.

The union members cannot operate without restrictions. Access to workplace for union activities and the freedom to distribute information is also restricted.

There is perceptible change in the style and functioning of the management in the last decade. Staff welfare activities have been given a go by. Previously bank would fund for picnics, get-togethers, etc. Now, even if it is done, the unionised staff is ignored. The unionised staff is subjected to step-motherly treatment.

The Bank management has used promotions to reduce union membership. The moment employees are promoted from the clerical level to officer cadre, the union membership 'automatically' gets terminated. In the past, an employee was stripped of his promotion to officer cadre because he did not discontinue his union membership.

The new recruits are informally told not to join the union.<sup>12</sup> There, thus, exists an untold threat to join unionise. Even the new recruits are not willing to unionise because – it is old fashioned (negative image of unions), and they are materialistic driven, plenty of opportunities, and good salaries

ABN AMRO in India has resorted to retrenchment through Voluntary Retirement Schemes (VRS) that affected union membership. The union feels this was mainly done to reduce their membership. VRS was exercised in the years 1997, 2002, 2005, wherein the compensation package was discussed with the union. Some feedback was received by the management. In 1997 two members took VRS, in 2002 19 members mostly over 50 years, and in 2005 ten members mostly in mid-40s took VRS. Overall, the management has been unsuccessful in completely diminishing union membership.

The management also resorted to promotions for union members so as to reduce their membership. In 1997, 20 people from union took promotion. These were given more increments to attract other union members. Another five people moved on with promotions. However, this effort of the management has also not met complete success to diminish union membership.

### Collective Bargaining

Due to reduction in numbers, the Union's bargaining power has also suffered. However its relation with the management has always remained cordial. Under the prevailing scenario in the bank, the members try to adjust and compromise on certain issues with the management to sustain their service until the stage of normal retirement. The union members do seek and get help, guidance and support from 'AIBEA' whenever complicated issues confront them. Notably, modern human resources management has significantly altered labour-management relations without necessarily leading to a decline in union bargaining power.<sup>13</sup>

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<sup>12</sup> Discussions with union members and employees

<sup>13</sup> Discussions with union members

Collective Bargaining for union members is in place. This is according to the agreement between the Union and the Management and is applicable to union members only. Pay-scales of other employees at the Bank and ACES are directed by corporate structures as decided by the Human Resource team in consultation with senior management and keeping in mind industry trends. The pay-scales of the union members are governed as per the settlements signed with Government/Bankers by AIBEA for bank employees all over the country. However, they do get additional monetary benefits for which the union has signed various internal settlements with ABN AMRO management.

Two critical changes in collective bargaining are the expansion of coverage and scope of long-term agreements. Competitive market pressures, especially since the beginning of economic reforms, have forced bargaining outcomes to be decided at local level.

There are no unions in the supply chain. Outsourcing service providers, including ABN AMRO's ACES are considered to be part of the supply chain. ACES and large service providers such as Tata Consultancy Services and Infosys do not have unions at their workplaces. Absence of unions in the Indian IT sector is an industry trend, though some unionisation has materialised in the recent past with the efforts of the Union of ITES Professionals (UNITES). Headquartered in Bangalore, this new set-up has founder members drawn from HSBC, ABN AMRO India, Sitel, Wipro Spectramind, and Teledata Informatics working in Bangalore, Hyderabad, Delhi, Tiruvananthapuram, Kochi and Mumbai<sup>14</sup>. ABN AMRO's union and the larger banking sector unions in India do not cooperate or interact with ITPFI.

While other employees are on various committees, there is no union representation on any committees that look at employee training and welfare. Moreover, the committees are taken to be superficial. While the employees outside the union are mostly satisfied with the management, there are some concerns on how policies are prepared without active participation of employees.

However, the management maintains a culture of openness. Differences and friction between people, or between employee and employer, arise in any organisation. So every Business Unit and branch has both informal and formal procedures for dealing with complaints and grievances. Informal approaches include an "open door" policy and an internal ombudsman. More formal approaches include peer reviews or forming a management committee to handle specific cases.<sup>15</sup>

## Strikes

ABN AMRO has not witnessed any strike in the last two decades. Both the union and the management believe in talking and negotiating to arrive at an amicable solution to demands and grievances. Only when AIBEA calls for a strike, the bank union members go on a strike to express their support. Non-union members are prevented from entering bank premises. However, this is not done by force. The bank employees are able to access workplace and continue working. One day's pay is deducted for those who do not join office on the day of strike.

## Access to information

Union members rely solely on themselves to have access to company information in addition to what is already in the public domain. ABN AMRO is an unlisted company in India and therefore, is not mandated to disclose annual financial reports. However, the banking regulation requires them to submit their annual reports to the Reserve Bank of India (India's Central Bank). Information not in the public domain is hard to obtain. Union members also do not have an access to many parts of the intranet. The inaccessible areas include employee activities, human resource policies applicable to non-unionised employees, among others<sup>16</sup>. All other employees have full access to the intranet.

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<sup>14</sup> 'Call centre professionals form trade union', The Hindu, Thursday, 26 January 2006

<sup>15</sup> Discussions with management

<sup>16</sup> Discussions with Union members and non-unionised employees

According to the management, the Bank shares lot of information through in-house magazines and intranet, and any other medium as and when necessary depending on the nature of information. Any employee is free to access any other information provided by the managers upon request, though at the sole discretion of the superiors. Seeking information is tougher for union members as compared to the non-members. Despite repeated requests and continuous dialogue, the bank refuses to share these information media with the Union.

## 4. Labour conditions

### National Legislation

India has not ratified ILO conventions C138 and C182 addressing Child Labour. However, India has legislation banning child labour and declaring employment of child labour as a punishable offence by law.

The minimum age convention of 138 is not ratified because the Indian government believes admission to employment needs to be preceded by the creation of suitable enforcement machinery and measures. This would warrant children not being compelled by circumstances to seek employment. However, enforcement and measures are difficult to implement in the unorganised sector.

The Government of India's position with regard to Convention 182 on Child Labour is that it is in favour of ratification. But there is little movement towards actually ratifying the convention which has become hostage to political sensitivities and lack of a national consensus.

With regard to a general minimum age for admission of children to the labour market, India has no such minimum age. Instead this area is governed by a variety of different acts pertaining to hazardous work such as in mines, factories, etc.

India has ratified ILO conventions C29 (Forced Labour Convention) and C105 (Abolition of Forced Labour Convention).

India has also ratified ILO conventions C100 (Equal Remuneration Convention) and C111 (Discrimination (Employment Occupation) Convention).

In practice the Indian workweek is six days of eight hours with every second Saturday a day off. By law the Indian workweek of employees is defined to 48 hours. Employees should be granted a three weeks holiday every year. Overtime work should be communicated in advance and should be paid double if the hours exceed more than 9 hours a day and 48 hours a week. A minimum wage system is applied in India and the actual wage scale may vary from state to state. These labour conditions are laid down in various Indian labour laws and in general apply to the organised sector.

### ABN AMRO India Practices

#### Discrimination

Workers or trade unionists do not perceive that there is discrimination on the basis of sex, ethnicity, religion, social origin, or political opinion. The Bank also offers equal pay for work of equal value, regardless of sex, ethnicity, religion, social origin, or political opinion. The Bank, like most of the Indian private sector, does not have any reservations for scheduled castes and/or scheduled tribes. It also does not make conscious attempts to identify the background of candidates or employees on the basis on caste religion or ethnic origin.

Union members do not have the equal opportunities for training and promotion. Promotion is restricted as union membership is 'not allowed' as soon as an employee is promoted from clerical level to managerial cadre.

There are strict policies and monitoring mechanisms in place regarding sexual harassment. There are no cases of sexual harassment in the workplace.

India does not have any legislation on affirmative action in the private sector. The present coalition government has initiated broad stakeholder discussions on workplace reservations for backward classes in the Indian private sector. The private sector has vehemently opposed any mandatory reservation on grounds of losing competitiveness. However, the private sector has suggested voluntary affirmative action as a solution to address socio-economic challenges of India at the same time retaining competitiveness. The debate is still on and far from any implementation.

ABN AMRO India does not have any affirmative action in place. However, it claims of being an equal opportunity employer and does not discriminate on the basis of socio-economic status of any candidate seeking employment. The Bank recruits purely on merit. According to the management, the Bank has the best employee referral policy in the industry, a view which is supported by some of the employees interviewed.

## Wages

The wages at ABN AMRO India are fairly competitive<sup>17</sup>. The management admits of increasing wage increases due to short-fall in desired talent. Like its competitors and peers, the Bank has to offer attractive pay packets to retain good employees.

For unionized staff, the wages are paid as per agreements at the Bank level or National level. The normal working hours per day are six-and-a-half hours for clerical staff and seven hours for subordinate.

For non-union members, the management has set salary brackets and relevant perks. Every employee is subject to periodic evaluations, a set career plan and salary scale, as well as a mentor to guide on career advancements within the organisation. All these decide annual promotions or salary increments. While some of these processes are apparently transparent, employees remain unsure of how exactly is the quantum of increment decided. Complaints of employee/employer bias are not unusual. Though employees can go to any related superior in the hierarchy, it is most often not done. There is no employee and union participation in deciding wage and promotion policies/ practices. There are discrepancies such as employees in the same function with different pays. In the interim, increase in responsibilities is not accompanied by a corresponding pay hike.

## Leave

The leaves and holidays are provided in accordance with statutory requirements. All employees are provided with 12 days of Casual Leave, 30 days of Paid Leave (upto 240 days for the whole service, eligible to en-cash on retirement), and Medical Leave upto nine months in the whole service period.

## **Break-up of the union member's earnings:**

### **Salary and other benefits:**

- Salary – as per bi-partite settlements for all union members
- Dearness allowance<sup>18</sup>/ House rent allowance- as per government rules
- Education allowances
- Conveyance - (Rs 800 per month + extra for actual duty outside)
- Lunch allowances

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<sup>17</sup> Discussions with management, employees, and union-members

<sup>18</sup> Dearness allowance (DA) is an allowance provided by the public sector to its employees so as to incorporate the inflation in the economy. The Government reviews the DA, usually every year. DA is therefore a percentage of the Basic Pay.

**Available Loans:**

- House building loan up to Rs 7 lacs
- Personal loan up to Rs 2 lacs

**Medical benefits:**

- One month's basic plus Dearness Allowance (DA) (15%) is deposited in the Medical Account every year
- Hospitalisation/ operation, depending on the seriousness - maximum amount 100 percent for the employee and 90 percent for any family/ household member
- All hospital expenses covered if admitted on duty

**Incentives:**

- Bonus - Rs 6000 per annum
- Cash incentive:
  - after 15 years of service - one month extra salary
  - after 20 years of service – one-and-a-half months salary
  - after 25 years of service - two months salary

**Pension:**

- Minimum ten years of service; quantum of pension increases according to total years of service

**Death-in-Harness cases:**

- 60 times basic monthly wage on natural death
- Full compensation for death in accidents

**Agreement:**

- Every three years there is supposed to be an agreement. But Agreements are invariably delayed.

## Overtime

There are no fixed overtime schedules. Most of the employees outside the union tend to work slightly beyond office hours to complete necessary work and meet deadlines. These times are not fixed and vary depending on the work load. No overtime is paid for such overtime. However, employees at AA India are less pressurised on work as compared to other foreign banks operating in India. This was mentioned by the management, union leaders, as well as interviewed employees. The employees continued to mention that it was the nature of work that required working for some time beyond office hours on a regular basis. It was also perceived as 'working hard' and being 'committed', which makes a difference in performance appraisal and impacts their growth within the organisation. However, they also mentioned that refusing to work overtime was an exception. The concerned superiors generally expect employees to complete the assigned task(s) before ending the work day. This many times led to stress amongst employees and complained of work-life balance. Nevertheless, professional growth had an edge over personal life, especially among young employees.

## Health and Safety

Health and safety of employees in the financial and outsourcing sectors has specific characteristics. Apparently comfortable workplaces, employees suffer from high work pace, extended work routines, pressure to deliver or face replacement, and high expectations, result into stress, tension and weariness beyond normal levels. It is not unusual to find employees complain of long-term body aches, strain injuries, gastritis, hypertension, and work-life imbalance. Call centre employees typically also face on-workplace stress due to abuses from customers and sleep disorders due to night shifts.

While the union members and employees did mention about the problems, the management spoke mostly about medical services and benefits provided to its employees. A doctor at every branch and office, insurance covers and medical reimbursements subject to terms and conditions, and employee-friendly activities that entail spouse/ family participation were some of the touted initiatives.

The management maintains providing a less stressful and not a very demanding workplace and work culture. However, the employees have a contrary view. They feel that work pressure is often beyond limits, deadlines tight, and targets are high. There is not much they can do about it and these problems, like the others, are also sorted out on an individual basis.

## 5. Reorganisation

In the last five years, much of the reorganisation at ABN AMRO has happened due to outsourcing of core business activities. The Bank started ACES (ABN AMRO Central Enterprise Services) as an in-house outsourcing unit that caters not only to Indian business but also global business.

ACES was set up with a view to consolidate ABN AMRO's back-office operations. India was a lucrative destination given the low labour cost, advantage of English language, and a huge pool of qualified professionals. Feedback from the BUs shows that ACES has successfully improved quality, service levels and productivity. ACES adds agility to the bank's operations through its flexible and rapidly expanding workforce in India, now 3,000 FTEs strong. ACES took steps to enhance its internal operating model and support continued growth. It is certified under ISO 9001 and the British Standards 7799 on Information Security, and runs extensive quality programmes which help to drive continuous improvement in service levels.<sup>19</sup>

Setting up of ACES generated new employment opportunities at ABN AMRO, at the same time some employees were relocated from the Bank to ACES. While the numbers are not known, the reorganisation happened across the country. It is reported that the management did engage employees through the relocation. However, the union was not engaged in the process.

Affecting its global employment, in the beginning of September 2005, ABN AMRO Bank announced the lay off of another 1,500 staff, due to the outsourcing of IT operations worldwide in a series of deals worth €1,8 billion (US\$2,2 billion) over five years. IBM Corp, took the lion's share of that to run the bank's main data centres, develop applications and manage bank employees' desktop, laptop and handheld computers. The bank also struck application development deals with Accenture Ltd, of Bermuda and three Indian companies - Infosys Technologies Ltd, of Bangalore, and Tata Consultancy Services Ltd, (TCS) and Patni Computer Systems Ltd, both of Mumbai. Infosys and TCS also provide application support.

ABN is committed to pay IBM €1,5 billion, TCS €200million and Infosys €100 million over the five-year life of the deal. The deals form part of ABN's Group Shared Services program, announced in 2005. The bank expects the IT element of this program will save it at least €258 million a year beginning 2007. Some of those savings will come from payroll reductions: ABN will retain 1,800 full-time IT staff, transfer 2,000 to the five IT vendors and lay off around 1,500 others over 18 months (ending March 2006).

A majority of the transferred staff moved to IBM. The bank consulted employee representatives around the world about the outsourcing deals, and obtained regulatory approval before the transfers could go ahead.<sup>20</sup>

The outsourcing resulted in a few exits and mainly relocation of employees. The numbers are unknown.

At a national level, the AIBEA is spearheading struggle against the Government/Bankers' combine to prevent outsourcing of jobs, privatisation of banks and demanding recruitments in the banks. However, much of the resentment to outsourcing is in the public sector banks, as Indian private and foreign banks are able to successfully outsource their core business activities.

As mentioned in Section 3, there are no unions at ACES, which follows the general trend in the Indian offshoring industry. The ITPFI has initiated unionisation of IT professionals in some parts of India.

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<sup>19</sup> ABN AMRO NV Annual Report 2005

<sup>20</sup> [http://www.infoworld.com/article/05/09/01/HNibmwinsoutsourcing\\_1.html?APPLICATION%20DEVELOPMENT](http://www.infoworld.com/article/05/09/01/HNibmwinsoutsourcing_1.html?APPLICATION%20DEVELOPMENT) (nov 2006).

However, ACES is not a part of these efforts. Nevertheless, ACES follows the best practices of the Indian offshoring sector concerning its employees for the obvious business benefit.<sup>21</sup>

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<sup>21</sup> Discussions with the management

## 6. Conclusion

India is one of the key markets for ABN AMRO in its global strategy to expand and develop new business areas in emerging markets. In India, the Bank follows a strategy to reach new financial products and services to individual private and commercial customers, with a specific focus on mid-segment. Deriving from its global initiatives, ABN AMRO in India maintains an image of being a socially responsible bank by being one of the first movers in microfinance and project financing based on socio-economic assessments.

ABN AMRO's commercial success in India in the past decade is also evident – a point keenly made by Bank management. An impartial observer would indeed admit that the bank has grown both in terms of revenue as well as its employee base. At the time of this report going to press the bank had also scored high on the **employee engagement** Index from the *Global Employee Engagement Survey*<sup>22</sup> which measures employee commitment towards the company.

Clearly the Bank does have a good story to tell in many respects and continues to be one of the best foreign banks and a respectable place to work at in India. Much of the credit goes to a culture of openness and engagement and the inclusion of employee viewpoint. employees on diverse issues. As noted in the report, some of the 'generous' employee-friendly policies are in response to macro situation such as shortfall in employable people and high-growth opportunities beyond ABN AMRO.

As bank management pointed out in response to an earlier draft of this report, "the Bank has had several new HR practices instituted to mention one, the E – Portal - which has, among other things, a repertoire of updated policies, leave application process online, Idea mine, a section that invites frank and honest suggestions from officers etc. Many of these practices are not only firsts within ABN but in the banking industry as well."<sup>23</sup>

However, this does not mean that there are no clouds above AMB AMRO skies. The chief area of concern for the company in India is with regard to labour rights at ABN AMRO India. The primary concern is the perception that management is consciously attempting to marginalise the existing union by discouraging non-members and newcomers from unionising or associating in any form. Union respondents complained of differential treatment of union members through a non-inclusive approach. They added that the management not only limits information flow to union members, but also between employees and union members.

Feedback from one of the primary unions concerned reflected these concerns. The president of the All India Bank Employees Association (AIBEA) noted: "Exploitation of workers is prevalent in absence of effective union and also in absence of well negotiated Service Conditions for all employees. Perennial and regular jobs are outsourced to Agencies on contract basis. These Agencies are engaging workers for such jobs on hire and fire basis and on meager wages. Virtually they have adopted de-unionisation policy and they want union free working atmosphere in the Bank. They have almost achieved success in it."<sup>24</sup>

Objectively speaking, however, the reality is that the influence of the union at ABN AMRO India is insignificant due to its paucity of numbers. Non-unionised employees are more focussed on their take-home pay and material success. In a competitive environment, if they are dissatisfied with these core monetary issues they can – and do – try their luck elsewhere. This trend is particularly discernible among the younger generation (20-35 years), who perceive unionisation as being 'old-fashioned'. They are far more inclined to seek to resolve their own workplace issues in an individualistic as opposed to collectivist manner. Lack of awareness of one's labour rights and responsibilities can also influence a predisposition not to unionise. As India's economy continues to liberalise, these trends will

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<sup>22</sup> [http://www.abnamro.com/com/about/sd/sd\\_employee.jsp](http://www.abnamro.com/com/about/sd/sd_employee.jsp) (13/03/07).

<sup>23</sup> Email correspondence with ABN Amro, Head of HR, dt. 13/03/07.

<sup>24</sup> Email correspondence with President of AIBEA, dt. 13/03/07

have even greater significance for the future of unions in the country not just in the services sector or at ABN AMRO.

Enhancement of management-employee dialogue, participation of employees (union non-members) in key human resource policies, and transparency, have been identified as three key areas that the Bank and FNV might wish to focus attention. Some of these issues might be brought to the fore by a relaxation in mergers and acquisitions regulations on foreign banks by the Indian regulatory establishment.

The ABN AMRO India experience has been shown that a decentralized independent union cannot succeed in generating firm-wide influence without core employee support and employer acceptance. Some recent commentators have suggested that these unions have been on the defensive ever since the economic reforms. This is partly because they lost staff through voluntary retirement schemes and multinationals also cut back on permanent unionized employment. The establishment of non-union facilities at new sites and the practice of subcontracting work have also weakened their support base.

In conclusion, however, the lack of success at ABN AMRO India must be set in the broader context of the state of the union movement in India. While the broad aims of unions and workers movements remain relevant, their strategies have failed to keep pace with changing times and expectations. In a competitive environment such as banking in India, firms and employees have embraced the individual bargaining model and trade unions are regarded by many as outdated, politicised and irrelevant. Today's confident young professionals are saying they can strike their own deals with management without the need for intermediaries such as trade unions. This loss of confidence in unions is most damaging for those least able to assert their rights and organise effectively. If unions are to have a future in the increasingly more liberalised Indian market, it is imperative they respond to these trends and changed environment and strategise accordingly.

## ANNEX

### Feedback from ABN AMRO India<sup>25</sup>

Many thanks for incorporating our inputs in your report at such a short notice. However, we would like to qualify the approval of the report due to the following reasons which are relevant to our local conditions.

The report primarily outlines our multiple, independent actions with regard to the Bank's Union, which has limited numbers, while only giving a cursory outline of the Bank's emerging HR practices, resulting in loss of holistic perspective to the readers of the report. These practices are progressive replacements that enable employees to be more participative in decisions rather than merely receptive, thereby enhancing employee engagement.

Further there seems to be no reference to the current trends in the unionized sector among the foreign banks in India or in the newly formed private sector banks in the country. These comparisons are extremely relevant in the Indian context, as there is a diminishing trend of unions among Foreign Banks and a complete absence in the Private sector Banks.

The Indian economy has been on a huge upswing and thereby seen a robust employee job market where salary increases have been upwards for the last three years. The new emerging work force is also highly educated, computer literate and extremely mobile. This has created an environment where employees are at vantage and the market dynamics have dictated the need for having robust employee engagement and retention practices. New sectors like BPO's, ITES and Software Parks have also changed employer - employee relation scenario which is now characterized by employee welfare concepts like state of the art cafeteria's, educational program support, Work from home enabled by IT Support.

However, the report continues to be based on the bygone percept that unions are the best way to champion employee issues. Contemporary HR Literature and recent developments, as mentioned earlier, have established that progressive HR and business practices are created by making employees the stakeholders and letting the impartial market be the determinant, with Management taking a lead role in establishing a culture of openness, involvement and entrepreneurial freedom. This is the thread that we have established in the HR function in the Bank.

Above all, your conclusion statement on the bank needing to act on the key areas of management-employee dialogue, employee participation in key HR policies and transparency, seems a bit misplaced in today's competitive scenario. While there can be scope for enhancement of initiatives in these areas (like in most organizations) it would be misleading to state they are 'areas that the bank will want to take up'.

Overall, in terms of Human Resource function's outlook in the bank, we have been in the forefront in moving from merely Personnel Management to an encompassing outlook of Talent Management as echoed in the market as well. This is supported by the fantastic growth story in the last decade and also an excellent employee engagement score on the Index from the recently concluded Global Employee Engagement Survey.

We hope that your readers would appreciate this reality and we would be glad to share these practices. In addition, we continue to place on record our acknowledgement for considering us in the study and all the subsequent reports.

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<sup>25</sup> E-mail correspondence from Raj Katra, Head, Human Resources, ABN AMRO India (dt. 24/03/07)